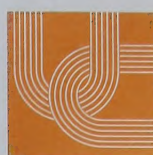


No. of Shares or Par Value	Cost	Market Value	% to Total
BANKS			
18,000 Bank of British Columbia	560,081	657,000	
83,542 Bank of Montreal	1,807,005	2,005,008	
140,100 The Bank of Nova Scotia	2,839,779	2,907,075	
67,162 Canadian Imperial Bank of Commerce	1,340,310	1,939,303	
100,560 The Royal Bank of Canada	2,310,939	3,582,450	
98,098 The Toronto-Dominion Bank	1,799,665	2,011,009	
	10,657,779	13,101,845	13.13
TRUST, SAVINGS & LOAN			
106,380 National Trust Company, Limited ...	1,702,544	2,140,897	
36,900 The Royal Trust Company A	856,062	710,325	
	2,558,606	2,851,222	2.86
PUBLISHING & PRINTING			
111,500 Harlequin Enterprises Limited	311,945	1,588,875	
87,700 Thomson Newspapers Limited Class A	1,181,983	1,304,537	
31,500 Torstar Corporation B	531,300	559,125	
	2,025,228	3,452,537	3.46
TV & RADIO			
84,700 Canadian Cablesystems Limited A ..	1,385,415	1,418,725	
99,800 Maclean-Hunter Limited A	1,600,525	1,621,750	
75,900 Standard Broadcasting Corporation Limited	941,202	1,005,675	
	3,927,142	4,046,150	4.06
FOOD PROCESSING			
54,000 George Weston Limited	1,024,053	1,053,000	1.06
DISTILLERIES			
33,600 Hiram Walker - Gooderham & Worts Limited	1,295,669	1,226,400	1.23
MANUFACTURING			
6,000 Canron Limited	141,588	159,000	
89,250 Consumers Glass Company Limited ..	883,341	2,052,750	
10,000 I.T.L. Industries Limited 6 1/2% Conv. Pfd. Series "B"	250,000	205,000	
30,000 Magna International Inc. A Special	836,625	1,222,500	
32,800 Massey-Ferguson Limited	781,368	426,400	
86,600 Northern Telecom Limited Warrants	1,367,849	1,569,625	
	4,260,771	5,635,275	5.65
CEMENT & CONCRETE PRODUCTS			
38,900 Genstar Limited \$1.50 Conv. Pfd. ...	882,486	1,288,563	
5,000 Genstar Limited	127,463	167,500	
	1,009,949	1,456,063	1.46
BUSINESS FORMS			
46,530 Moore Corporation Limited	1,977,203	1,675,080	1.68
DEPARTMENT STORES			
136,625 Hudson's Bay Company	2,278,745	3,142,375	3.15
SPECIALTY RETAILERS			
109,600 Dylex Limited Class "A"	968,317	1,370,000	
200 Dylex Limited	1,667	2,800	
34,700 Grafton Group Limited	807,188	1,145,100	
8,600 Leon's Furniture Limited	121,324	129,000	
56,400 Reitman's (Canada) Limited Class "A"	741,743	1,001,100	
35,600 Reitman's (Canada) Limited	504,725	640,800	
	3,144,964	4,288,800	4.30
COPPER			
56,700 Brenda Mines Ltd.	597,065	758,362	.76
GOLD			
8,000 Campbell Red Lake Mines Limited	304,926	368,000	
11,400 Dome Mines Limited	750,091	1,159,380	
13,300 Giant Yellowknife Mines Limited	166,238	196,175	
23,650 Sigma Mines (Quebec) Limited	731,450	963,738	
	1,952,705	2,687,293	2.69
NICKEL			
52,322 Great Lakes Nickel Mines Options	1,207	7,848	.01
URANIUM			
35,000 Numac Oil & Gas Ltd.	1,131,111	1,036,875	1.04
MISCELLANEOUS METALS			
22,608 Canada Tungsten Mining Corporation Limited	246,927	514,332	
1,500 Hollinger Mines Limited A	54,032	64,125	
	300,959	578,457	.58
INTEGRATED OILS			
33,100 BP Canada Limited	629,372	604,075	
70,175 Pacific Petroleum Ltd.	1,936,310	3,333,313	
59,150 Texaco Canada Inc.	2,265,593	2,817,019	
	4,831,275	6,754,407	6.77

No. of Shares or Par Value	Cost	Market Value	% to Total
OIL & GAS PRODUCERS			
15,000 Dome Petroleum Limited	564,358	1,395,000	
57,000 Norcen Energy Resources Limited ..	895,134	976,125	
37,775 PanCanadian Petroleum Limited	1,017,553	1,322,125	
49,450 Voyager Petroleum Ltd.	662,084	785,019	
	3,139,129	4,478,269	4.49
PAPER & FOREST PRODUCTS			
61,300 Reed Paper Ltd. A Conv. Pfd. \$12.50 par	601,494	597,675	.60
GAS TRANSMISSION			
114,000 The Alberta Gas Trunk Line Company Limited Class "A"	1,281,661	1,767,000	
91,866 Westcoast Transmission Company Limited	768,222	1,067,942	
	2,049,883	2,834,942	2.84
OIL TRANSMISSION			
5,600 Interprovincial Pipe Line Limited A	84,948	95,900	.10
REAL ESTATE & CONSTRUCTION			
19,400 Allarco Developments Ltd.	527,860	533,500	
82,900 The Cadillac Fairview Corporation Limited	626,821	849,725	
22,700 Carma Developers Ltd. A	204,546	323,475	
48,200 Costain Limited	454,344	656,725	
76,600 Daon Development Corporation	373,183	986,225	
55,700 Melcor Developments Ltd.	393,531	682,325	
25,250 Nu-West Development Corporation Ltd. A	314,286	486,062	
27,500 Oxford Development Group Ltd. Conv. 1st Pfd. Series A	404,955	460,625	
	3,299,526	4,978,662	4.99
STEEL			
35,450 Dominion Foundries and Steel, Limited A	932,608	1,036,913	
17,850 Interprovincial Steel and Pipe Corporation Ltd.	305,907	316,837	
9,900 The Steel Company of Canada, Limited A	290,905	264,825	
	1,529,420	1,618,575	1.62
TRANSPORTATION			
243,000 Algoma Central Railway	3,885,000	4,951,125	
130,000 Canadian Pacific Limited	2,574,966	3,103,750	
200,000 Kaps Transport Ltd.	245,689	330,000	
70,900 Laidlaw Transportation Limited A ...	693,087	1,134,400	
20,000 Okanagan Helicopters Ltd.	294,043	180,000	
40,000 Trimac Limited A	747,574	960,000	
	8,440,359	10,659,275	10.68
ELECTRICAL UTILITIES			
50,344 Calgary Power Ltd. A	1,286,632	1,969,709	1.97
TELEPHONE			
33,942 Bell Canada	1,501,707	2,108,647	2.11
MISCELLANEOUS			
48,600 CAE Industries Ltd. A	793,551	850,500	
63,700 Commonwealth Holiday Inns of Canada Limited	334,427	509,600	
30,300 Finning Tractor & Equipment Company Limited	667,538	784,012	
17,900 Livingston Industries Limited	399,030	483,300	
14,900 National Sea Products Limited	359,654	677,950	
23,800 Nowasco Well Service Ltd.	397,380	618,800	
21,900 Spar Aerospace Ltd.	155,570	191,625	
Other Misc. Holdings	37,884	39,656	
	3,145,034	4,155,443	4.16
AMERICAN SECURITIES			
9,100 McDonald's Corporation	529,792	548,821	
45,775 Merrill Lynch & Co., Inc.	1,269,534	1,102,720	
60,200 Phelps Dodge Corporation	1,662,417	1,708,476	
50,000 Service Merchandise Company, Inc.	940,640	1,138,000	
6,500 Teledyne, Inc.	439,355	765,765	
	4,841,738	5,263,782	5.28
FOREIGN SECURITIES			
18,300 Gold Fields of South Africa Limited ADR	437,444	408,456	
62,210 Henderson Baring Japan Fund	955,193	1,751,834	
	1,392,637	2,160,290	2.16
TOTAL PORTFOLIO INVESTMENTS			
	\$74,286,938	\$94,673,158	94.89%
CASH, AND OTHER ASSETS — NET			
	5,103,542	5,103,542	5.11
TOTAL PORTFOLIO INVESTMENTS AND CASH			
	\$79,390,480	\$99,776,700	100.00%

UNITED CORPORATIONS LIMITED



To the Shareholders

Aided by an extremely buoyant Canadian stock market and the substantial leverage in our capitalization, we have just completed what may well have been the best twelve-month period in the long history of your Company.

As of the end of September our net equity value per common share had reached a new all-time high of \$23.85, over 7% above the previous high set at the end of October, 1973. To place this in perspective, the Toronto Stock Exchange Index was still more than 3% short of its all-time high reached in the same month while the Dow Jones Industrial Average and the Standard & Poors Composite Index, the two most widely used measures of the New York market, still required moves in the area of 18% and 15% respectively to reach their old highs established at the end of 1972.

In the quarter ending September 30, 1978, the second quarter of our fiscal year, our net equity per common share rose 13.9%; the six-month rise was 24.8%. Over the twelve months ending on that date the increase was 36.3% and, if dividends totalling 68¢ per share paid during the period are added back (but not compounded), the overall return on investment becomes 40.2%.

It would, of course, be a mistake to project spectacular results of this kind too far into the future and a market reaction of sorts would be a normal expectation after a rise of such magnitude. But it should also be recognized that, up to this point, we have only been recovering the ground lost during a bear market of once-in-a-generation proportions. As a consequence, the rise started from a position of major undervaluation by any historical standards. Furthermore, based on those standards and our present assessment of the outlook for 1979, the market is still far from overvalued at its present level.

On the income side, shareholders were informed in the last Annual Report that we anticipated difficulty in covering the 68¢ annual dividend rate on our common shares this year. Results for the first six months of our fiscal year bear out that forecast. Net income, after taxes and interest on the income debentures, amounted to \$1,132,269 compared to \$1,285,968 for the same period last year. After provision for dividends on the preferred shares, net income available for the common shares was \$943,091 or 26.8¢ per share as against last year's \$1,096,790 or 31.1¢ per share. However, with the ending of the restrictive anti-inflation regulations with respect to dividends in October, we anticipate an increase in dividend income during the next six months which can be expected to continue on an annual basis into our next fiscal year. We currently anticipate that earnings per common share will exceed 60¢ for the year as a whole and continue to see no reason why the present dividend rate should not be maintained.

As has already been noted, the leverage provided by our outstanding Income Debentures has been a contributing factor to our investment results since their issue in March, 1976. In August the terms of those Debentures were re-negotiated to extend their maturity from March, 1979, to August, 1986.

In mid-September your directors and staff were saddened by the sudden death of Charles L. Gundy. A member of our board since 1951, he was the senior director in point of service and it is difficult to exaggerate the contribution he made to the affairs of the Company during his twenty-seven years of association with it. In addition to being a leading figure in the Canadian financial and business community, Mr. Gundy was a modest and compassionate man, qualities which endeared him to a host of friends and associates all of whom will miss him greatly.

J. V. Emory,
President

UNITED CORPORATIONS LIMITED

Statement of Net Income

	Six Months Ended September 30	
	1978	1977
Income—		
Dividends	\$ 1,462,451	\$ 1,642,268
Interest	149,364	34,911
Net income from wholly-owned subsidiary	(83,698)	101
	<u>1,528,117</u>	<u>1,677,280</u>
Expenses—		
Management expenses	73,512	95,000
Transfer, registrar, dividend paying agent's fees ..	16,366	14,501
Directors' fees	19,500	13,250
Legal and audit	15,258	7,591
General	18,637	19,910
	<u>143,273</u>	<u>150,252</u>
Net income before income taxes and interest	1,384,844	1,527,028
Provision for income taxes, including foreign taxes withheld	6,712	12,201
	<u>1,378,132</u>	<u>1,514,927</u>
Interest on income debentures	245,863	228,959
Net Income	<u>\$ 1,132,269</u>	<u>\$ 1,285,968</u>

Statement of Changes in Net Assets

	Six Months Ended September 30	
	1978	1977
Net assets at beginning of period	\$74,829,205	\$70,614,477
Add (deduct) changes during the period —		
Net income	1,132,269	1,285,968
Net gain (loss) on securities sold	5,961,219	(354,093)
Net change in unrealized appreciation in value of investments	10,965,281	(1,024,070)
Dividends	(1,316,369)	(1,316,369)
Net assets at end of period	<u>\$91,571,605</u>	<u>\$69,205,913</u>

Statement of Net Gain (Loss) on Securities Sold

	Six Months Ended September 30	
	1978	1977
Proceeds from sales of investments	\$26,675,476	\$10,434,813
Investments at average cost at beginning of period	65,259,108	74,748,450
Cost of securities purchased	29,742,087	10,745,606
	<u>95,001,195</u>	<u>85,494,056</u>
Investments at average cost at end of period	74,286,938	74,705,150
Cost of securities sold	20,714,257	10,788,906
Net gain (loss) on securities sold	<u>\$ 5,961,219</u>	<u>\$ (354,093)</u>